Office of Fiscal Analysis



Fiscal Forecast Presentation to the Appropriations Committee November 12, 2004



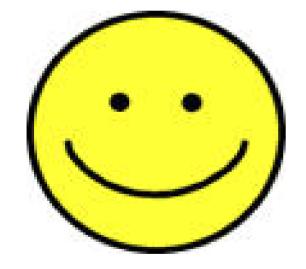
Office of Fiscal Analysis Presentation of Fiscal Forecasts for FY05, FY06, and FY07

- Surpluses & Deficits in Recent Years
- Budget Reserve Fund Status
- > FY05 Surplus Projection
- "Watch List" of Potential Additional FY05 Deficiencies
- ➤ FY06 and FY07 Structural Deficits & Spending Cap Issues based on Current Services Projections



Major Theme of OFA Fiscal Forecasts

FY05



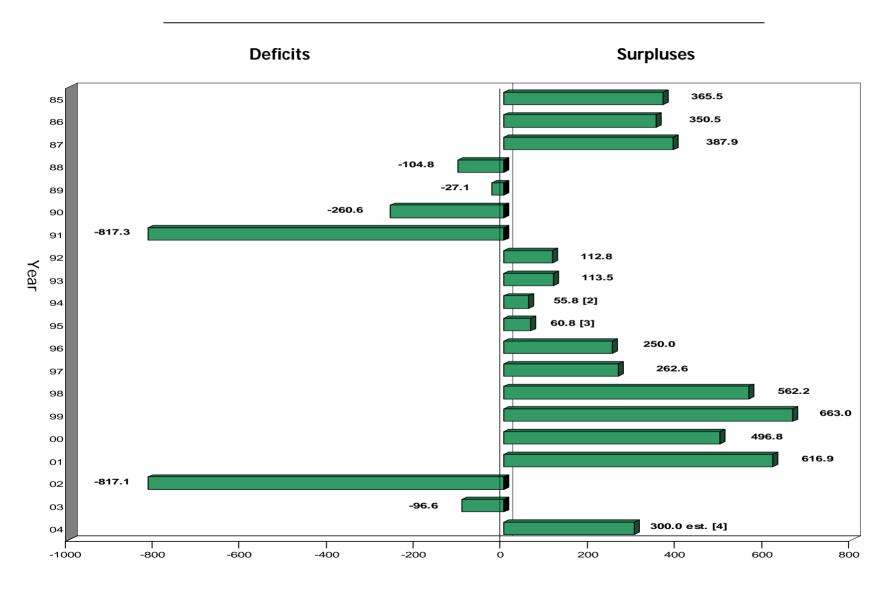
Modest Surplus

FY06 & FY07



Sizeable Structural Deficits & Spending Cap Problems

General Fund Surplus or Deficits from Operations



Millions of Dollars



- **❖** Unappropriated Surplus is Deposited in the BRF per Constitutional Article XXXVIII and Sec. 4-30a of the Connecticut General Statute
- **❖** \$594.7 Million Balance in FY01 Used to Partially Cover the \$817.1 Million Deficit in FY02
- **❖** \$300 Million Surplus from FY04 may be Deposited after the Comptroller Closes Books
- **❖** How Much of the Projected FY05 Surplus will remain Unappropriated and be Deposited in BRF?
- **❖** PA 03-2 Increased the Maximum Allowable in the BRF to 10% of the Net General Fund (Capacity could reach \$1.4 billon if FY06 Budget grows to \$14 billion).



FY05 General Fund Summary: Nov 12, 2004

(In millions)

	Budget Plan [1]	creases)	<u>P</u>	<u>rojected</u>
Revenues				
Taxes	\$ 9,441.1	\$ 252.9	\$	9,694.0
Other Revenue [2]	1,151.5	33.8		1,185.3
Other Sources	 2,717.4	 (44.7)		2,672.7
Total Revenue	\$ 13,310.0	\$ 242.0	\$	13,552.0
Appropriations				
Original Appropriations - Gross	\$ 13,336.2	\$ -	\$	13,336.2
Plus:				
Deficiency Requirements	-	61.4		61.4
Adjudicated Claims	-	10.0		10.0
Refunds of Escheated Property	-	12.0		12.0
Less:				
Lapses [3]	 (109.9)	 (8.7)		(118.6)
Total Expenditures [4]	\$ 13,226.3	\$ 74.7	\$	13,301.0
Surplus/(Deficit) from Operations for FY 05 [5]	\$ 83.7	\$ 167.3	\$	251.0

"Watch List" for FY05 Concerning Net Deficiencies

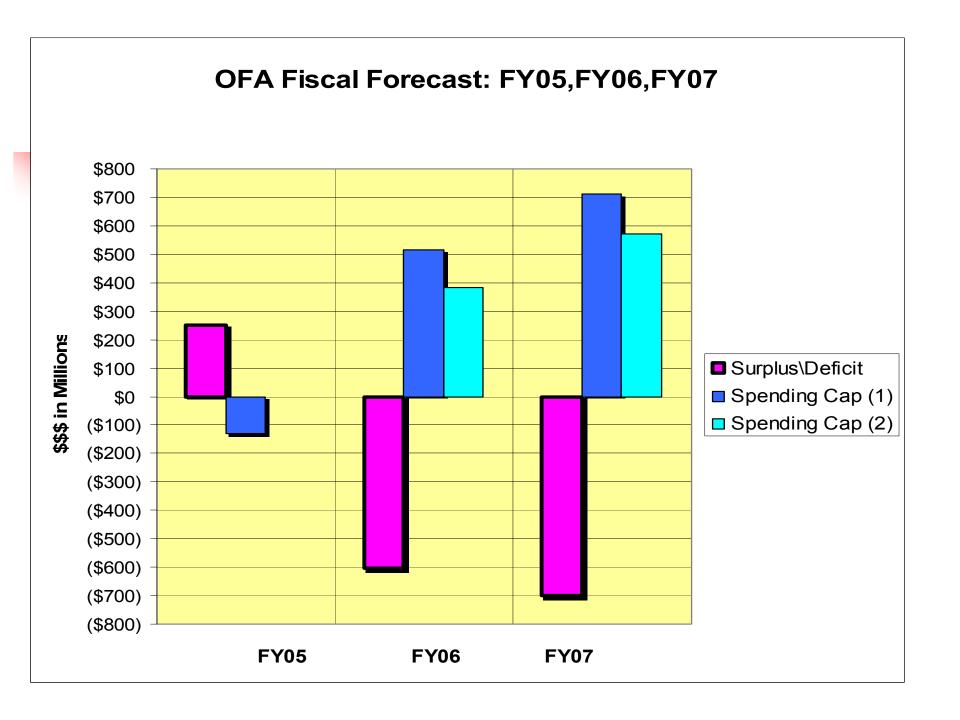
- State Employee Wage Increases ----- \$5.5m to \$21.4m
- Department of Public Works ----- \$0 to \$2 million

Preliminary General Fund Budget Projections: FY05, FY06, FY07

November 12, 2004

	OFA Estimate as of Budget Passage 4/29/04 <u>FY 05</u>	OFA Estimate as of Finance Comm. Action 6/28/04 FY 05	OFA Revised Estimate 11/12/04 <u>FY 05</u>	Agency Current Services Expends. 11/12/04 <u>FY 06</u>	OFA Current Services Expends. 11/12/04 FY 06	Agency Current Services Expends. 11/12/04 FY 07	OFA Current Services Expends. 11/12/04 FY 07
Revenues	13,226.3	13,310.0	13,552.0	13,574.0	13,574.0	14,242.0	14,242.0
Expenditures	13,226.0	13,226.3	13,301.0	14,635.8	14,177.8	15,363.3	14,943.4
Balance	0.3	83.7	251.0	(1,061.8)	(603.8)	(1,121.3)	(701.4)
Spending Cap Comparison Amount Total Appropriation Amount Over Cap if: Appropriate to the Allowald Reduce FY 07 Base to FY	s (Under) Over Cap ble Cap Level in FY 05 and		(129.1)		515.8 381.6		710.5 571.5
General Fund Growth Ra Revenue Expenditures	tes:		4.3% 6.0%		4.8% 5.9%		5.1% 5.4%

Revised 11/30/04



Major Accounts (as of November 12, 2004)

OFA CS Projections

	Approp.		(1Yr. wage	freeze for unsettleds)
	FY 05		FY 06	FY 07
DSS - Medicaid	2,926.1		3,165.7	3,371.5
Personal Services (FY 06 and FY 07 figures are approximate)	2,448.2		2,564.1	2,673.8
SDE - ECS	1,562.9		1,592.9	1,622.9
Debt Service	1,311.2		1,345.5	1,451.3
Other Expenses	454.5		463.6	472.9
Retired State Employees Health Service Cost	377.9		415.7	457.3
State Employees Health Service Cost	374.4		404.4	436.7
State Employees Retirement Contributions	354.4		371.4	393.7
DCF - Board and Care for Children (Residential, Foster & Adoption)	288.8		306.9	317.4
DMR - Community Residential Services	258.2		287.7	302.1
TRB - Retirement Contributions	185.3		294.0	307.3
Social Security	180.1		195.1	203.5
DSS - Temporary Assistance to Families (TANF)	135.3		133.4	136.1
DSS - State Administered General Assistance (SAGA)	123.4		138.8	145.8
DMR - Employment Opportunities and Day Services	118.3		129.7	136.2
DSS - DMHAS-Disproportionate Share	105.9		105.9	105.9
PILOT - Private Property	105.9		105.9	105.9
SDE - Priority School Districts	99.8		99.8	99.8
DOC - Inmate Medical Services	81.1		84.4	86.3
Workers' Comp. Claims (DPS, DMR, DMHAS, DOC, DCF, DAS - w c tab)	74.5		78.7	82.3
DMHAS - Grants for Mental Health Services	72.8		74.3	75.7
DMHAS - General Assistance Managed Care	70.8		74.3	78.1
PILOT - State Property	70.0		70.0	70.0
DSS - Child Care Services-TANF/CCDBG	68.1		69.0	70.3
SDE - Excess Cost-Student Based	67.1		123.5	140.7
SDE - Magnet Schools	66.6		83.6	98.3
DSS - ConnPACE	66.0		95.0	106.6
DSS - Disproportionate Share-Medical Emergency Assistance	63.7		63.7	63.7
DSS - Aid to the Disabled	53.5		55.3	56.4
OPM - PILOT-New Manufacturing Machinery and Equipment	50.7		50.7	50.7
SDE - Transportation of School Children	43.1		60.9	64.6
Judicial - Alternative Incarceration Program	38.8		41.1	42.0
DSS - Connecticut Home Care Program	36.7		41.1	43.1
DSS - DSH-Urban Hospitals in Distressed Municipalities	31.6		31.6	31.6
DSS - Old Age Assistance	29.9		32.9	32.9
DSS - HUSKY Program	26.6		27.6	29.0
DMHAS - Managed Service System	26.4		26.8	27.3
DMHAS - Special Populations	25.0		25.2	25.7
Totals - Major Accounts	12,473.6	93.5%	13,330.1	14,015.2
All Other Gross GF Appropriations	862.6	6.5%	879.9	897.4
Gross GF Appropriations for FY 05	13,336.2	100.0%	14,209.9	14,912.7





Major Accounts (as of November 12, 2004)

Gross GF Appropriations for FY 05	13,336.2	100.0% 14,209.9	14,912.7
Legislative Unallocated Lapses	(2.0)	(2.0)	(2.0)
Estimated Unallocated Lapses	(76.6)	(76.6)	(76.6)
General Personal Services Reduction	(14.0)	(14.0)	(14.0)
General Other Expenses Reduction	(11.0)	(11.0)	(11.0)
Fleet Reduction	(2.5)	•	-
Spend Management Lapse	(3.8)	(3.8)	(3.8)
Net GF Appropriations	13,226.3	14,102.5	14,805.3
Early Retirement Incentive Plan Accrual Payments Delayed from 2003-2005	-	19.7	19.7
Generally Accepted Accounting Principles (GAAP)	-	33.5	96.3
Higher Education Matching Grant	-	12.1	12.1
DCF - Juan F. Consent Decree Exit Plan	-	10.0	10.0
Adjusted Net GF Appropriations	13,226.3	14,177.8	14,943.4
Revenue	13,310.0	13,574.0	14,242.0
Projected Surplus/(Deficit)	83.7	(603.8)	(701.4)

One-time Revenue Sources in FY05

Assumed in Budget Act Estimates:	FY 05
1) Temporary Estate Tax	\$ 55.0
2) 25% corporate tax surcharge (annualization)	33.6
3) Unclaimed property liquidation	50.0
4) Reduction in the dormancy period for unclaimed property	17.3
5) Securitization of Clean Energy Fund	25.0
6) Transfer from Energy Conservation Fund	12.0
7) Transfer from CDA	10.0
8) Transfer from CII	5.0
9) Transfer from CHFA	2.5
10) Transfer from FY 04 resources	125.3
11) Transfer from Tobacco Health Trust Fund	12.0
12) Transfer from Biomedical Research Fund	2.0
13) Securitization of unclaimed property revenue	40.0
FY 05 Total - Budget Act	\$ 389.7
November Revisions:	
13) Re-estimate of unclaimed property liquidation	33.0
14) Cancellation of securitizing unclaimed property revenue	(40.0)
Net Changes	(7.0)
FY 05 Total - Revised	\$ 382.7

FY06 Revenue



Loss of One-time Revenue Sources & Tax Changes

	FY 06
One-time revenue not available in FY 06 (see FY05 list)	\$ (382.7)
Plus: 1) Increase in the property tax credit 1) Increase in the Income Tax exemption for Single filers 2) Succession Tax phase-out	(105.0) (4.7) (11.0)
FY 06 - Unavailable one-time revenues & tax changes	\$ (503.4)